

**UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)	Chapter 11
)	
PAUL H. SCHWENDENER, INC., <i>et al.</i> ,)	Case No. 07-12145
)	(Jointly Administered)
)	
Debtors.)	Hon. Eugene R. Wedoff
)	Hearing Date: July 25, 2007
)	Hearing Time: 10:00 a.m.

NOTICE OF MOTION

TO: See Attached Service List

PLEASE TAKE NOTICE that on **July 25, 2007 at 10:00 a.m.** or as soon thereafter as counsel may be heard, I shall appear before the **Honorable Eugene R. Wedoff in Courtroom 744** of the United States Bankruptcy Court for the Northern District of Illinois, 219 South Dearborn Street, Chicago, Illinois, or in his absence, before such other Judge who may be sitting in his place and stead and hearing bankruptcy motions, and shall then and there present the **Debtors' Motion To Use Cash Collateral**, a copy of which is attached and herewith served upon you, and shall pray for the entry of an order in conformity with the prayer of said pleading.

AT WHICH TIME AND PLACE you may appear if you so see fit.

Allen J. Guon (#6244526)
Shaw Gussis Fishman Glantz
Wolfson & Towbin LLC
321 North Clark Street, Suite 800
Chicago, Illinois 60610
(312) 541-0151

CERTIFICATE OF SERVICE

Allen J. Guon certifies that he caused to be served a true copy of the above and foregoing notice and attached pleadings upon the attached Service List via prepaid first-class U.S. Mail on this 18th day of July 2007.

/s/ Allen J. Guon

MASTER SERVICE LIST

<p>Michael S. Schwendener President Paul H. Schwendener, Inc. 1000 Vandustrial Dr. Westmont, IL 60559-2468 Phone: (630) 515-2444 Fax: (630) 810-1921 mschwendener@schwendener.com</p>	<p>Scott B. Greene Daniel A. Zazove Perkins Coie LLP 131 S. Dearborn St., Ste. 1700 Chicago, IL 60603-5559 Phone: (312) 324-8652 Fax: (312) 324-9652 sgreene@perkinscoie.com dzazove@perkinscoie.com</p>
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<p>Daniel J. Hyman Millennium Properties R/E, Inc. Two First National Plaza 20 S. Clark St., Ste. 630 Chicago, IL 60603 Phone: (312) 338-3000 Fax: (312) 338-3008 DHyman@mpirealestate.com</p>	<p>Stephen C. Schulte Daniel J. McGuire Ryenne L. Easley Winston & Strawn LLP 35 W. Wacker Dr. Chicago, IL 60601 Phone: (312) 558-5600 Fax: (312) 558-5700 sschulte@winston.com dmcguire@winston.com reasley@winston.com</p>
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Michael Forti, Deputy Corporation Counsel Thomas Forgue, Assistant Corporation Counsel City of Chicago, Department of Law 30 N. LaSalle St., Ste. 900 Chicago, IL 60602 Phone: (312) 744-9018 Fax: (312) 744-6798	William Choslovsky (<i>Attorney for Prairie House at Central Station, L.L.C.</i>) DLA Piper US LLP 203 N. LaSalle St., Ste. 1900 Chicago, IL 60601-1293 Phone: (312) 368-4000 Fax: (312) 236-7516 william.choslovsky@dlapiper.com
<i>List of Creditors Holding 20 Largest Unsecured Claims:</i>	
(See following 2 pages.)	

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Debtors.)	Hon. Eugene R. Wedoff
)	Date of Hearing: July 25, 2007
)	Time of Hearing: 10:00 a.m.

DEBTOR'S MOTION TO USE CASH COLLATERAL

State & Kinzie Associates, Inc. ("S&K"), hereby requests the entry of an order, pursuant to 11 U.S.C. § 363(c)(2) and Fed. R. Bankr. P. 4001(b), authorizing S&K to use cash collateral on an interim basis pending a final hearing on S&K's authorization to use cash collateral. In support of its motion, S&K states as follows:

JURISDICTION

1. On July 8, 2007 (the "Petition Date"), S&K and certain of its affiliates filed related voluntary petitions for relief under chapter 11 of the Bankruptcy Code. Except as set forth below, S&K is in possession of its assets and managing its businesses as a debtor in possession within the meaning of 11 U.S.C. § 1101(1). As a debtor in possession, S&K has substantially all of the rights, powers and duties of a trustee appointed under chapter 11 of the Bankruptcy Code. 11 U.S.C. § 1107(a).

2. S&K is in the business of owning, leasing and operating that certain commercial office building commonly known as 400 N. State Street (the "Property"). Daniel J. Hyman of Millennium Properties R/E, Inc. is the receiver ("Receiver") of the Property, appointed by Judge Darryl B. Simko of the Circuit Court of Cook County, Illinois in the foreclosure action entitled

LaSalle Bank, N.A., as Trustee v. State & Kinzie Associates, Inc., Case No. 07 CH 02361. The Receiver has managed the Property since his appointment on or about March 13, 2007.

3. This Court has core jurisdiction to hear and resolve this motion pursuant to 28 U.S.C. §§ 157(b)(2)(M) and 1334.

REQUESTED AUTHORITY TO USE CASH COLLATERAL

4. Prior to the Petition Date, LaSalle Bank, N.A., as successor trustee to American National Bank and Trust Company of Chicago (“LaSalle”) asserted a claim against S&K in the principal amount of approximately \$2.4 million. LaSalle’s claim is evidenced by, among other things, a Promissory Note Secured by Mortgage in the original principal amount of \$2,500,000 (the “Note”). By virtue of a certain Mortgage and Absolute Assignment of Rents and Leases and Security Agreement (For Fixture Filing) dated February 2, 2004, LaSalle asserts a first priority mortgage interest in the Property and the rents generated therefrom as security for its claim against S&K. By virtue of the foregoing, LaSalle asserts a security interest in “cash collateral” as that term is defined within the meaning of 11 U.S.C. § 363(a).

5. S&K requires the use of cash collateral to continue its business operations on a postpetition basis. Accordingly, S&K requests authority to use cash collateral on a preliminary basis pending a final hearing to pay ongoing operating expenses incurred in the ordinary course of its business, including, without limitation, the Receiver’s fees and expenses, maintenance, taxes, and insurance.

6. The proposed use of cash collateral will adequately protect the security interest asserted by LaSalle therein pending a final hearing by preserving or maintaining the value of the Property, the Property’s business operations and the cash collateral. As additional adequate protection for LaSalle’s purported security interest, S&K proposes the following:

- a. Granting LaSalle a postpetition lien on S&K's rents and leases to the same extent, and in the same priority as LaSalle's prepetition lien therein.
- b. Maintaining current insurance coverage in full force and effect on the Property and any other of S&K's assets subject to a lien of LaSalle.
- c. Providing LaSalle reasonable access to the Property for the purpose of inspecting its collateral and reasonable access to S&K's books and records.
- d. Seeking authority for the entry of an order excusing the Receiver's compliance with the turnover provisions of 11 U.S.C. § 543(a) through (c). The Receiver shall retain possession of all funds generated from the Property's rents after payment of the Property's monthly expenses including, but not limited to, the Receiver's fees and expenses and United States Trustee Fees.

7. Without the ability to use cash collateral to pay for postpetition operating expenses, including the maintenance of the Property, S&K will likely be unable to (i) collect rents from the Property tenants and (ii) obtain unsecured credit in the ordinary course of business.

8. S&K's proposed use of cash collateral is necessary to avoid immediate and irreparable harm to the value of the Property and going concern value of S&K and this estate pending a final hearing.

9. Pending a final hearing, nothing in this motion shall constitute an admission by S&K as to the nature, extent, enforceability or allowability of the claim of LaSalle or the liens asserted thereby in cash collateral or otherwise in any other assets of S&K's estate, nor shall it constitute a waiver of S&K's right to contest the same.

NOTICE

10. Notice of this motion has been given to the Office of the United States Trustee, counsel to the Debtors' secured lenders, certain other known parties of interest and the twenty largest unsecured creditors in this case. In light of the nature of the relief requested, S&K

requests that this Court find the notice provided for herein sufficient under the circumstances and waive and dispense with any further notice requirements.

WHEREFORE, State & Kinzie Associates, Inc. requests the entry of an order, pursuant to 11 U.S.C. § 363(c)(2) and Fed. R. Bankr. P. 4001(b), authorizing it to use cash collateral on an interim basis, pending a final hearing, to pay operating expenses incurred in the ordinary course of S&K's business, and granting such other and further relief as this court deems in conformance therewith.

Respectfully submitted,

State & Kinzie Associates, Inc.

Dated: July 18, 2007

By: /s/ Allen J. Guon

One of their attorneys

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